

FISCAL NOTE
HB 86 – SB 278

February 6, 2007

SUMMARY OF BILL: Amends the retirement law by increasing the benefit improvement from 5% up to 12.5% in 1.5% increments over a five-year period for K-12 teachers if certain conditions are met.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – Annual Amortized Cost:

\$14,163,000 FY07-08
\$28,326,000 FY08-09
\$42,489,000 FY09-10
\$56,652,000 FY10-11
\$70,815,000 FY11-12 and Thereafter

Increase Local Govt. Expenditures* - Annual Amortized Cost:

\$9,442,000 FY07-08
\$18,884,000 FY08-09
\$28,326,000 FY09-10
\$37,768,000 FY10-11
\$47,210,000 FY11-12 and Thereafter


Assumptions:

- Total lump sum pension liability of \$1,193,422,000 after five years.
- The benefit improvement is to be phased in through equal 1.5% increments over a 5-year period.
- Annual amortization cost assumes a 20-year lump sum liability.
- K-12 teachers assume a 60%-40% ratio between state and local funding.

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director